

Title I

Indiana's Reset and ESSA

BACKGROUND

Q¶ How is Title I funding determined?

- A.** Although there are multiple factors that affect a local educational agency's (LEA's) allocation, the two primary factors are (1) the U.S. Department of Education's (ED's) calculation of allocations for geographical LEAs that are on a list that the Census Bureau provides to ED (traditional LEAs) followed by (2) required adjustments to the ED-calculated allocations by States to account for LEAs that are not on the Census list, such as charter school LEAs.

ED-Calculated Allocations: As required by the ESEA, as amended by NCLB¹, ED calculates Title I allocations for traditional LEAs through four statutory formulas— Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG).

- The primary difference between Basic and Concentration Grants is the LEA eligibility thresholds.
 - To qualify for a Basic Grant, an LEA must have at least 10 formula children (i.e., the number of children ages 5 to 17 below the poverty level as determined by the Census Bureau (which differs from school lunch eligibility) and annually collected data on the number of children ages 5 through 17 who (1) live in locally operated institutions for neglected or delinquent children; (2) are in families who participate in the Temporary Assistance for Needy Families (TANF) program and receive a payment in excess of the poverty level; or (3) are in publicly-supported foster homes) and the number of formula children must exceed two percent of the LEA's ages 5 to 17 population as determined by the Census Bureau.
 - To be eligible for a Concentration Grant, an LEA must meet the Basic Grants eligibility criteria and either have more than 6,500 formula children or a percentage of formula children that exceeds 15 percent of the LEA's ages 5 to 17 population.
- Targeted Grants are based on the same data used for Basic and Concentration Grants, except that the number of formula children is weighted so that school districts with higher number or percentages of children receive more funds. To qualify for a Targeted Grant, an LEA must have at least 10 formula children and the number of formula children must equal or exceed 5 percent of the LEA's ages 5 to 17 population.
- The EFIG formula, in addition to using the same data used for Basic and Concentration Grants and the requirement of at least 10 formula children that represent a minimum of

¹ This document references the ESEA, as amended by NCLB, because these are the requirements that were in effect at the time of IDOE's allocation errors.

at least 5 percent of the LEA's ages 5 to 17 population, incorporates two more factors that measure (1) the State's effort to provide financial support for education compared to its relative wealth as measured by its per capita income (fiscal effort factor) and (2) the degree to which education expenditures among school districts within a State are equalized (equity factor).

Allocations rely on the interplay of several factors:

- The first, and most critical, factor in the Title I allocation formula is the number of "formula" children ages 5 through 17.
- The second factor in the formula is the State per-pupil expenditure (PPE).
- The third factor in the formula provides for a minimum guarantee or "hold-harmless" for each LEA based on a percentage of its prior year allocation, which applies to each of the four formulas (Basic, Concentration, Targeted, and EFIG).
- A fourth factor is the amount of Title I funds Congress appropriates for a specific school year under each formula.
- The fifth element is the state minimum. The purpose of this provision is to ensure that LEAs in minimum allocation States as defined in the statute receive funding to operate viable Title I programs.

State adjustments to the ED allocations: The ESEA, as amended by NCLB, requires States, including the Indiana Department of Education (IDOE), to make several adjustments to the ED-calculated allocations. First, IDOE on a formula-by-formula basis must determine whether each LEA that is not included in ED's calculations, such as a charter school LEA, is eligible under the four Title I formulas. Second, if such an LEA is eligible under one of the formulas, IDOE must adjust the ED-determined allocations, including applying the hold harmless, so that eligible LEAs receive a Title I allocation in accordance with the law. Third, after accounting for allocations for these LEAs, including charter school LEAs, the State must also reserve funds from LEAs for school improvement and State administration and may, if the State's Title I allocation increased over the prior year, reserve funds for academic achievement awards. The ESEA, as amended by NCLB, contains a special rule that stipulated that a State must only reserve funds for school improvement from LEAs that had an increase in their Title I allocations over the prior year.

Q. Why is there a five-year reset with Title I dollars?

- A.** ED reviewed IDOE's adjustments to the ED-determined calculations and determined several procedures were not correctly applied. Specifically, IDOE:
- Used an incorrect method to apply the hold-harmless provisions because it did not ensure, on a formula-by-formula basis, that each regular and charter LEA receive at least its hold-harmless amount.

- Did not apply the special rule that no LEA receives less in total under Title I than it received in the prior year because of the four percent school improvement reservation.

Example of the special rule:

School District A received \$1,000,000 in Title I funds in the preceding fiscal year. However, due to changes in the school district's formula children, the total state allocation, and other factors described above, School District A is set to receive \$950,000 in Title I funds in the current fiscal year. Since the school district's total allocation declined, the IDOE must not reserve any state school improvement set-aside amounts from this district. State school improvement set-aside amounts will be ratably reserved from districts who had an increased allocation.

- Incorrectly reserved funds for the State academic achievement awards program (SAAA). Under NCLB, Indiana was allowed to take a set-aside for SAAA (Distinguished Schools) as long as the State's total Title I allocation did not decline from the prior year. For those years in which IDOE's Title I allocation declined, IDOE incorrectly reserved funds for SAAA activities.

As a result of these inaccurate application of the allocation requirements by IDOE, some traditional LEAs and charter schools received more Title I funds than they were entitled, other traditional LEAs and charter schools received less than they were entitled, and the State-level reservation amounts were inaccurate.

Q. What is the hold harmless?

A. The idea of a "hold-harmless" provision is that an LEA (including charter school LEAs) should not incur a loss of more than 15 percent of its preceding year's Title I funds because of a drop in its formula count for a given fiscal year. The following provisions apply to the Basic, Concentration, Targeted, and EFIG Grants.

- An LEA with a percentage of formula children that is less than 15 percent is guaranteed a grant amount that is 85 percent of the LEA's prior year amount.
- An LEA with a percentage of formula children that is at least 15 percent but less than 30 percent is guaranteed a grant amount that is 90 percent of the LEA's prior year amount.
- An LEA with a percentage of formula children that equals or exceeds 30 percent is guaranteed a grant amount that is 95 percent of the LEA's prior year amount.

If the amounts made available to the State are insufficient to pay the full amount that each LEA is eligible to receive, the SEA must ratably reduce the allocations for all LEAs in the State to the amount available.

Note that for the Basic, Targeted, and EFIG formulas, the hold-harmless protection applies only to those LEAs that meet the eligibility criteria for each respective formula. For the

Concentration grant formula, an LEA remains eligible for its hold harmless amount for four years after it last met the Concentration grant eligibility criteria.

RESOLUTION

IDOE, with ED's technical support, recalculated allocations from school year 2011-2012 through school year 2015-2016.

The recalculations show that over the SY 2011–2012 to SY 2015–2016 period, some traditional LEAs and charter school LEAs received more Title I funds than they were entitled; conversely, other traditional LEAs and charter school LEAs received fewer funds than they were entitled.

ED and IDOE reached an agreement to ensure that the State takes appropriate corrective actions to account for the over- or under- allocation of funds among both regular and charter LEAs.

Q. What should I expect with my funding?

A. IDOE's agreement with ED requires IDOE in the first year (school year 2016-2017), to make adjustments at a 5% level. This will give you time to prepare for under or over allocations. The remaining adjustments (95% of amount listed in the table that was sent to you on December 19, 2016), will be made over the next four years. For example, if an LEA was under-allocated funds by a total of \$100,000 over the SY 2011-2012 to 2015-2016 period, IDOE is adding an additional \$5,000 to the LEA's SY 2016-2017 grant award (5 percent of \$100,000). Over the next four subsequent school years, IDOE will add an additional \$23,750 to the LEA's Title I grant award for each year, so that the total adjustment equals the \$100,000 adjustment amount.

Q. If I receive an adjustment, how will this affect carryover and the hold harmless?

A. IDOE's agreement with ED stipulates that if an LEA receives additional Title I funds as a result of the adjustment required, that amount of funds will be excluded for purposes of applying the carryover limitation limit under section 1127(a) of ESEA (i.e., 15% carryover limit except with an approved waiver). An LEA may only carryover 15% of the pre-adjusted amount, unless it is approved for a waiver that is available once every three years.

IDOE's agreement with ED stipulates that if an LEA receives additional Title I funds as a result of the adjustments required, the LEA's hold-harmless amount will be the pre-adjusted amount determined for the LEA before the required adjustment.

Q. If my district receives an adjustment and has an increased allocation, does this affect the amount that is required to be used to provide Title I services to eligible private school students?

A. Yes. Any LEA receiving additional Title I funds as a result of the adjustments must use an appropriate amount of such funds to continue to provide equitable services to eligible

nonpublic students consistent with section 1120 of the ESEA, as amended by NCLB, during the 2016-17 school year and section 1117 of the ESEA, as amended by the Every Student Succeeds Act (ESSA), in subsequent years.

Q: How was the SY 2016-2017 Planning Allocation calculated?

A: The SY 2016-2017 Planning Allocation was determined by using the hold harmless amount of the five-year allocation reset after using the federally prescribed allocation model.

Q: May an LEA have its total five year adjustment applied during SY 2016-2017?

A: No. In order to ensure proper administration of the adjustment for all LEAs over the five-year period, the IDOE will implement the adjustment in a consistent manner, as required in its agreement with ED.

Q. How will the reset impact my final allocations for FFY 16 (2016-2017 school year)?

A. The planning allocation for the FFY 16 (2016-2017 school year) was provided to all LEAs in summer 2016 based upon the previous year's final allocation, i.e., 85 90 or 95 percent. Subsequently, the IDOE entered into a memorandum of agreement with ED in December 2016 to prepare for under or over allocations. A table that provides the previous five-year detail regarding the under or over allocations can be found [here](#). Now that the final allocations for FFY 16 are complete, the IDOE will adjust the final allocation using the reset figure found in the chart for FFY 16, which will lower or raise an LEA's available funds.

Q. Besides the reset, what are other factors that will affect the amount of FFY 17 Title I funds that an LEA receives?

A. Under the Every Student Succeeds Act (ESSA), instead of a 4 percent reservation by a State for school improvement, the school improvement reservation increases to the greater of (1) 7% of a State's Title I grant award or (2) the sum of the total amount that the State reserved for school improvement under section 1003(a) from its FY 2016 Title I award (generally, 4 percent of that award) and the amount of the State's FY 2016 School Improvement Grants allocation under section 1003(g). There is also an optional, additional state reservation of 3% for direct student services. For FFY 17 (2017-2018) allocations, the IDOE must ratably reduce the allocations of all LEAs, including newly opened and significantly expanded charter school LEAs, in order to make the **required** school improvement reservation.

Beginning in FFY 18, the IDOE will continue to ratably reduce the allocations of all LEAs for school improvement but may not reduce an LEA's Title I allocation below the prior year's

amount. (ESEA section 1003(h)). It is possible that in some years this special rule will prevent the IDOE from reserving the full amount, but this rule does not take effect until FFY 18.

Additionally, under ESSA, Indiana will have the optional to reserve a maximum of three percent of its Title I allocation for direct student services in LEAs with the highest percentage of comprehensive and/or targeted schools. The direct student services program can support participation in courses or programs not otherwise available at a student's school, such as advanced courses, career and technical education coursework, credit recovery, and post-secondary preparation. The IDOE must meaningfully consult with geographically diverse LEAs prior to deciding whether to implement this optional program.

Q. Under the Every Student Succeeds Act (ESSA), how will LEAs allocate funds for equitable services?

A. Expenditures for equitable services to eligible private school children, teachers, and other educational personnel must be equal to the proportion of funds allocated to participating public school children. The determination of equitable services funding must be made prior to any expenditures or transfer of funds, including previously reserved funds "off the top", including reservations for administration, parental involvement, and district-wide initiatives. IDOE plans to make adjustments to the online application to assist with this new requirement.